

SENATE BILL REPORT

HB 2440

As Reported By Senate Committee On:
Energy, Telecommunications & Utilities, February 15, 1996

Title: An act relating to excise taxation of low-density light and power businesses.

Brief Description: Increasing tax deductions available to low-density light and power businesses.

Sponsors: Representatives Schoesler, Sheldon, Johnson, Brown, Honeyford, Grant, Sheahan, McMorris, Boldt, Quall, Morris, Chappell, Campbell, Hymes, Brumsickle, Mastin, Benton, Foreman, Lisk, Crouse, Smith, Thompson, Mulliken and Kessler.

Brief History:

Committee Activity: Energy, Telecommunications & Utilities: 2/15/96 [DP].

SENATE COMMITTEE ON ENERGY, TELECOMMUNICATIONS & UTILITIES

Majority Report: Do pass.

Signed by Senators Sutherland, Chair; Loveland, Vice Chair; Finkbeiner, Hochstatter and Owen.

Staff: Phil Moeller (786-7445)

Background: Public and privately owned utilities, such as light and power, natural gas, and water distribution companies, pay a gross-receipts public utility tax instead of the business and occupation tax. The tax rate on light and power businesses is 3.873 percent.

Costs of doing business tend to be higher in rural than urban areas, as there are fewer customers to share fixed system costs. Until 1994, light and power companies were not allowed to reduce their taxable gross receipts by the costs of doing business.

In 1994, legislation was passed allowing light and power businesses with fewer than 17 customers per mile of line, and with retail power rates greater than the state average, to deduct from taxable gross receipts a portion of their wholesale power costs. The amount of the deduction is the least of the following three amounts:

- (1) (a) 25 percent of wholesale power costs when the utility has fewer than 5.5 customers per mile of line;
- (b) 20 percent of wholesale power costs when the utility has more than 5.5 but fewer than 11 customers per mile of line;
- (c) 15 percent of wholesale power costs when the utility has more than 11 but fewer than 17 customers per mile of line;
- (d) 0 percent of wholesale power costs when the utility has more than 17 customers per mile of line;

- (2) Wholesale power costs multiplied by the percentage by which average retail rates exceed the state average; or
- (3) \$200,000 per month.

Summary of Bill: The portion of wholesale power costs a light and power company may deduct from taxable gross receipts is doubled. The amount of the deduction is the least of the following three amounts:

- (1)
 - (a) 50 percent of wholesale power costs when the utility has fewer than 5.5 customers per mile of line;
 - (b) 40 percent of wholesale power costs when the utility has more than 5.5 but fewer than 11 customers per mile of line;
 - (c) 30 percent of wholesale power costs when the utility has more than 11 but fewer than 17 customers per mile of line;
 - (d) 0 percent of wholesale power costs when the utility has more than 17 customers per mile of line;
- (2) Wholesale power costs multiplied by the percentage by which average retail rates exceed the state average; or
- (3) \$400,000 per month.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect July 1, 1996.

Testimony For: This bill will help rural electric utilities in their attempt to remain competitive as wholesale power costs are raised.

Testimony Against: None.

Testified: Representative Schoesler, prime sponsor; (pro); Aaron Jones, WRECA (pro); Bill Yee, Skamania PUD (pro); Pat McGary, Mason PUD #3 (pro).